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SUBJECT: Secretaries Locke and Chu Discuss Energy and Climate  
Change with Premier Wen

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¶1. (SBU) Summary: In a meeting with Premier Wen Jiabao on July 16,  
Commerce Secretary Gary Locke and Energy Secretary Steven Chu  
highlighted the importance of the United States and China working  
together on clean energy and climate change. Wen agreed that the  
U.S.-China relationship is the most important bilateral relationship  
in the world and affirmed that China is a responsible country and  
takes the challenge of climate change seriously. He said he hopes  
energy and climate change cooperation can become two bright spots in  
the relationship. Both sides expressed optimism that the Strategic  
and Economic Dialogue (S&ED), which will focus on these issues, will  
be successful. Highlighting the recently-announced clean energy  
joint research center initiative, Secretary Chu identified three  
priority areas: efficient buildings, clean coal and efficient  
transportation. Wen expressed support for the research centers and  
said he hoped the initiative would produce tangible results and  
technology transfer. Secretary Locke pointed out that China's  
government procurement policies appear to be biased against U.S. and  
other foreign companies at the local level. Wen assured Locke that  
China will maintain a welcoming policy that provides equal treatment  
for all companies and called for both countries to reject  
protectionism. End summary.

Great Opportunities for U.S.-China Cooperation  
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¶2. (SBU) Premier Wen opened the meeting by congratulating Secretary  
Locke and Secretary Chu, as Chinese-Americans, on their appointments  
as senior U.S. Government officials. He stated that U.S.-China  
relations have improved since President Obama came into office and  
that the general trend has been positive, cooperative and  
comprehensive. Sec. Locke responded that he is proud to be an  
American but is also proud of his Chinese heritage. Together with  
Secretary Chu and White House Cabinet Secretary Chris Lu, who was  
also part of the delegation, he noted that they are three of the  
most senior officials in the U.S. Government of Chinese descent.  
Locke recalled that he had visited China in 2008 soon after the  
Sichuan earthquake and had been impressed at Wen's concern for the  
earthquake victims; he had also closely followed Wen's efforts on  
food safety, environmental protection, energy efficiency and climate  
change. Locke said that unless all nations took action soon to  
address the world's pressing energy and climate change issues, the  
world could face disastrous consequences. Praising China for its

progress on energy efficiency and alternative energy, Locke said he knows that China has different policies than the United States, but he saw great opportunities for the United States and China to lead on climate change. In doing so, they could also create millions of new job for both countries. As China has a history of having made great contributions to the world, Locke said he hoped history would also be able to record that the United States and China acted together to save the planet from climate change disaster.

#### China a Responsible Country

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13. (SBU) Wen agreed that the U.S.-China relationship is the most important relationship in the world and that its impact goes well beyond just the bilateral aspects. He applauded Obama's continued high-level emphasis on the relationship and said he hopes the Strategic and Economic Dialogue (S&ED), set for late July, will be a great success. Regarding climate change, Wen maintained that China, as a responsible country, is taking this global challenge seriously.

Indeed, the steps China is taking meet both China's interests as well as its international responsibilities. Although the United States and China are at different levels of development, they face similar challenges on energy issues. He hoped to see cooperation on climate change and environmental protection become two "bright spots" in the relationship.

#### Research Center Priorities

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14. (SBU) Chu said he was pleased to see the progress China had made in reaching its clean energy goals and planned to take back a message that China is serious about its efforts to address its

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energy problems. He hoped the United States can show the world how serious it is in reducing energy consumption and reducing emissions.

Regarding China's efforts to reduce energy intensity in the 11th Five-Year Plan, Wen noted that China has already reached 10.4 percent of the overall 20 percent reduction goal in the first three years and is striving to reach its target in the remaining two years. Chu congratulated China on its progress, and noted that the United States, as the world's largest developed country, needs to take a leading role in addressing these issues. He, too, was looking forward to a successful S&ED that will include the public and private sector involvement in discussions of climate change. In another area of U.S.-China cooperation, the recently-announced clean energy joint research center initiative, he said he anticipates the research will focus on three key priority areas: 1) energy efficient buildings, 2) clean coal (including carbon capture and storage), and 3) transportation efficiency. Wen noted that in the area of nuclear energy, cooperation is already underway with China's launch of the AP1000 nuclear program.

#### Learning by Doing

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15. (SBU) Wen suggested that China still has great potential in further development of renewable energy, which currently only supplies nine percent of China's energy needs; China, he said, has a renewable energy goal of 20 percent by 2020. China is also making progress on clean coal technology, such as coal gasification and improving the efficiency of coal-fired power plants. He also emphasized the importance of developing environmentally-friendly, energy-efficient new building materials to improve building efficiency. As the United States has some of the best cutting-edge technology, Wen said he looked forward to further cooperation with the United States in these areas, and firmly supports the new research center initiative. He said he hoped that the initiative will be able to produce tangible results and that the United States will transfer advanced technology to China. In this process, he pledged that China would observe intellectual property laws.

16. (SBU) Chu said he hoped the joint research initiative will allow U.S. and Chinese scientists and engineers to develop new technologies that can then be taken to the market place. For example, he anticipated that they will be able to use

computer-designed tools to create more efficient buildings. He said he hoped that the two countries can develop more new ideas together than they could develop separately. Chu explained that he has observed that many of the most important advances are not in patents or in research papers; it is in the actual doing. Just as reading a cookbook or gardening book is not enough, one can better learn to cook and garden by working together with professionals and applying their skills. In his 24 years as a professor, Chu said he has learned that the most important things were not in the textbooks. Wen said he agreed that one could learn far more from practice than from reading textbooks.

#### A Level Playing Field for Foreign Companies

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17. (SBU) Referring to Wen's comment that China is open to the United States' most advanced technologies, Locke noted that the United States is also open to China's most advanced technologies. He said the delegation had just visited the State Grid Corporation and expressed envy at the progress it was making in grid technology. He said he hoped that China will put into place policies that will ensure a level playing field for both Chinese and U.S. companies in this area. He pointed out that even when there is a level playing field at the central government level, provincial government policies often appear to be biased against U.S. and other foreign-invested companies on procurement decisions. As China seeks to address energy efficiency and climate change concerns, it is important that China have access to the best technologies that foreign companies can provide.

#### Rejecting Protectionism

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18. (SBU) Responding to Locke's comments, Wen insisted that China maintains a policy that welcomes foreign companies to China, but

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cooperation must be based on equal access and mutual benefit and companies must follow Chinese laws. In this way, he asserted, there will be an open, fair environment for all. Wen said China had already taken steps such as reforming the VAT rebate system to level the playing field. China's economic stimulus program to encourage people to replace household appliances and autos provided for equal treatment for all companies and joint ventures. The United States and China are both big manufacturing and trading nations and both should reject protectionism - there should be no "buy America" or "buy China" policies. He said he has repeatedly told American friends that only the open flow of people, financial resources and trade will allow the world economy to revive. Locke pointed out that President Obama has also spoken out against protectionism and closing markets. President Obama had expressed concerns about the "buy America" provisions that Congress inserted into U.S. programs and Locke himself had waived these provisions.

#### Cooperation Mechanisms

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19. (SBU) Returning to the issue of the S&ED, Wen said that although this will be an important mechanism, it will be important that other cooperation mechanisms in the U.S.-China relationship continue to run in parallel and mutually supportive ways. He stressed that the United States and China have shared responsibilities in addressing climate change and the financial crisis and they must work together to address these concerns and take immediate action. Locke said he looked forward to the Chinese delegation coming to Washington for the S&ED. He noted that he and USTR Ambassador Kirk would be coming to China in late October for the Joint Commission on Commerce and Trade (JCCT) and that his staff was already working with Chinese counterparts on this. Concluding the meeting, Wen asked that the delegation convey his greetings to President Obama.

110. (U) Secretary Chu and Secretary Locke's delegations did not have the opportunity to clear this message before departing.

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